



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

December 6, 1996

**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

Frank F. Fasi  
c/o Friends for Fasi  
100 North Beretanai Street, #203  
Honolulu, Hawaii 96817

RE: MUR 4594

Dear Mr. Fasi:

On December 3, 1996, the Federal Election Commission found that there is reason to believe that you violated 2 U.S.C. § 441e, a provision of the Federal Election Campaign Act of 1971, as amended ("the Act"). The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

You may consult with an attorney and have an attorney assist you in the preparation of your response. If you intend to be represented by counsel, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, requests for pre-probable cause conciliation will not be entertained after briefs on probable cause have been mailed to the respondent.

21.04.402.4503


Frank F. Fasi  
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Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A) unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Anne A. Weissenborn, the attorney assigned to this matter, at (202) 219-3400.

Sincerely,



Lee Ann Elliott  
Chairman

Enclosures

Factual and Legal Analysis  
Designation of Counsel Form  
Procedures

21-04-402-4304

**BEFORE THE FEDERAL ELECTION COMMISSION**

In the Matter of

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)  
)

MUR 4594

**SUBPOENA TO PRODUCE DOCUMENTS**  
**ORDER TO SUBMIT WRITTEN ANSWERS**

TO: Friends for Fasi  
100 North Beretania Street, #203  
Honolulu, Hawaii 96817

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the documents requested on the attachment to this Subpoena. Legible copies which, where applicable, show both sides of the documents may be substituted for originals.

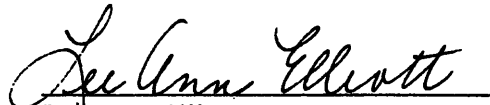
Such answers must be submitted under oath and must be forwarded to the Office of the General Counsel, Federal Election Commission, 999 E Street, N.W., Washington, D.C. 20463, along with the requested documents, within 30 days of your receipt of this Order and Subpoena.

21-04-402-4305

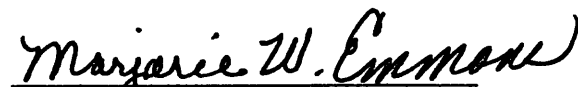
Friends for Fasi  
Subpoena and Order  
Page 2

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set her hand in Washington, D.C. on this 6th day of December, 1996.

For the Commission,

  
Lee Ann Elliott  
Chairman

ATTEST:

  
Marjorie W. Emmons  
Secretary to the Commission

Attachments

Interrogatories  
Document Requests

21.04.402.4306

### **INSTRUCTIONS**

In answering these interrogatories and request for production of documents, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and unless specifically stated in the particular discovery request, no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

The response to each interrogatory propounded herein shall set forth separately the identification of each person capable of furnishing testimony concerning the response given, denoting separately those individuals who provided informational, documentary or other input, and those who assisted in drafting the interrogatory response.

If you cannot answer the following interrogatories in full after exercising due diligence to secure the full information to do so, answer to the extent possible and indicate your inability to answer the remainder, stating whatever information or knowledge you have concerning the unanswered portion and detailing what you did in attempting to secure the unknown information.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories and requests for production of documents, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

Unless otherwise indicated, the discovery request shall refer to the time period from January 1, 1987 to the present.

The following interrogatories and requests for production of documents are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

21-04-402-4307

### **DEFINITIONS**

For the purpose of these discovery requests, including the instructions thereto, the terms listed below are defined as follows:

"You" shall mean the named respondent in this action to whom these discovery requests are addressed, including all officers, employees, agents or attorneys thereof.

"Persons" shall be deemed to include both singular and plural, and shall mean any natural person, partnership, committee, association, corporation, or any other type of organization or entity.

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"Identify" with respect to a person shall mean state the full name, the most recent business and residence addresses and the telephone numbers, the present occupation or position of such person, the nature of the connection or association that person has to any party in this proceeding. If the person to be identified is not a natural person, provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories and request for the production of documents any documents and materials which may otherwise be construed to be out of their scope.

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**INTERROGATORIES**

1. State whether Friends for Fasi ("the Fasi committee"), Frank Fasi or another entity associated with Frank Fasi has leased space for the use of Friends for Fasi in the Chinatown Cultural Plaza Shopping Center ("Cultural Plaza").
  - a. If yes, identify the lessee.
  - b. State the date of the initial lease agreement entered into by Friends for Fasi, or another lessee identified above, with regard to space in Cultural Plaza.
  - c. Specify the time frames for the initial lease arrangement and for any subsequent renewals.
  - d. State whether Friends for Fasi, Frank Fasi, or another entity associated with Frank Fasi is at present a lessee of space in Cultural Plaza. If no, state the date that lessee vacated the premises.
2. Identify the owner(s) of Cultural Plaza and state the basis for this assertion.
3. Identify the recipient of all rental payments made under the lease for space in Cultural Plaza (e.g., any management company).
4. Identify the entity with which Friends for Fasi, or another lessee identified in answer to Interrogatory 1, entered into the initial lease agreement for the use of space in Cultural Plaza. In addition, identify the individuals representing both parties to the agreement who were involved in the negotiations or discussions leading up to the initial lease agreement.
5. Provide an explanation of the sequence of events and the factors which led to the decision to place the office of Friends of Fasi in Cultural Plaza, including the manner in which the Fasi committee or its agent or representative learned that space was available (e.g., through a rental agency, through personal contacts, etc.).
6. State whether it is correct that the initial lease agreement with regard to space leased by or for the use of Friends for Fasi in Cultural Plaza involved 2,700 square feet at \$800 per month. If no, state the actual terms of the agreement, including the amount of space and the rental charge per month.

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7. State whether there have been any revisions, modifications, or amendments of the lease agreement regarding space used by Friends for Fasi in Cultural Plaza since the initial agreement was signed.
- a. If yes, please specify the nature and date(s) of such revisions, modifications or amendments.
  - b. If yes, identify the parties to any new agreements and the individuals representing both parties who were involved in the negotiations or discussions leading up to such revisions, modifications or amendments of the initial lease.

**REQUESTS FOR DOCUMENTS**

1. Provide all documents related to the leasing by Friends for Fasi, Frank Fasi, or another entity associated with Frank Fasi of space at Cultural Plaza for the use of Friends for Fasi.
2. Provide a picture, map, diagram and/or other visual representation of Cultural Plaza, with an indication of the space leased by or for Friends for Fasi.

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# FEDERAL ELECTION COMMISSION

## FACTUAL AND LEGAL ANALYSIS

**RESPONDENTS:** Friends for Fasi and its treasurer  
Frank Fasi

MUR 4594

### **I. GENERATION OF MATTER**

This matter was initiated by the Federal Election Commission ("the Commission") pursuant to information ascertained in the normal course of its supervisory responsibilities. See 2 U.S.C. § 437g(a)(2). From the information available, it appears that, from at least 1988 to the present, Friends for Fasi ("the Committee") accepted in-kind contributions in the form of reduced rental costs for office space at the Chinatown Cultural Plaza Shopping Center in Honolulu, the owners and managers of which may be foreign nationals.

### **II. FACTUAL AND LEGAL ANALYSIS**

#### **a. The Law**

The Federal Election Campaign Act of 1971, as amended, ("the Act"), prohibits a foreign national from making a contribution of money or anything of value in connection with an election to any political office, either directly or through any other person. 2 U.S.C. § 441e. It is also unlawful under the Act for any person to solicit, accept, or receive such a contribution from a foreign national. *Id.* Section 441e defines a foreign national as

(1) a foreign principal, as such term is defined by section 611(b), of title 22, except that the term "foreign national" shall not include any individual who is a citizen of the United States; or

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(2) as an individual who is not a citizen of the United States and who is not lawfully admitted for permanent residence, as defined at section 1101(a)(20) of title 8.<sup>1</sup>

The Commission's regulations include the following prohibitions at 11 C.F.R. § 110.4(a):

(1) A foreign national shall not directly or through any other person make a contribution, or an expenditure, or expressly or impliedly promise to make a contribution, or an expenditure, in connection with a convention, a caucus, or a primary, general, special or run-off election in connection with any local, State, or Federal public office.

(2) No person shall solicit, accept, or receive a contribution as set out above from a foreign national.

(3) A foreign national shall not direct, dictate, control, or directly or indirectly participate in the decision-making process of any person, such as a corporation, labor organization, or political committee, with regard to such person's Federal or nonfederal election-related activities, such as decisions concerning the making of contributions or expenditures in connection with elections for any local, State, or Federal office or decisions concerning the administration of a political committee.

Foreign national corporations are thus flatly prohibited from making contributions to Federal, state and local campaigns. Individuals who are foreign nationals may not participate in

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<sup>1</sup> For purposes of 22 U.S.C. § 611(b), the term "foreign principal" includes: -

- (1) a government of a foreign country and a foreign political party;
- (2) a person outside of the United States, unless it is established that such person is a citizen of and domiciled within the United States, or that such person is not an individual and is organized under or created by the laws of the United States or of any State or other place subject to the jurisdiction of the United States and has its principal place of business within the United States; and
- (3) a partnership, association, corporation, organization, or other combination of persons organized under the laws of or having its principal place of business in a foreign country.

For purposes of 8 U.S.C. § 1101(a)(20), "[t]he term 'lawfully admitted for permanent residence' means the status of having been lawfully accorded the privilege of residing permanently in the United States as an immigrant in accordance with the immigration laws, such status not having changed."

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decisions made by domestic corporations regarding contributions, including in-kind contributions, to either Federal or non-federal campaign committees and candidates. In making determinations regarding the legality of contributions from a corporation that is a domestic subsidiary of a foreign national corporation, the Commission has applied a two-fold test: (1) whether the source of the funds contributed was foreign or domestic, and (2) whether those who participated in the decision to contribute were all United States citizens or permanent resident aliens. See MUR 2892 (Friends for Fasi Haseko (Hawaii), Inc., et al.) and Advisory Opinions 1989-20, 1985-3, and 1981-3. See also Advisory Opinion 1992-16.

Under the Act, the term "contribution" includes any gift, subscription, loan, advance, or anything of value made by any person. 2 U.S.C. § 431(8)(A)(i). The Commission's regulations define "anything of value" to include all in-kind contributions such as the provision of any goods or services at a charge which is less than the usual and normal charge for such goods or services. 11 C.F.R. § 100.7(a)(1)(iii)(A). If goods or services are provided at less than the usual and normal charge, the amount of the in-kind contribution is the difference between the usual and normal charge for the goods or services at the time of the contribution and the amount charged the political committee. 11 C.F.R. § 100.7(a)(1)(iii)(B).

**b. Available Information**

The information in hand indicates that the Committee may have received in-kind contributions from a foreign national in the form of reduced rent for its office located in the Chinatown Cultural Plaza Shopping Center ("Cultural Plaza") in Honolulu. It appears that the Committee has been making rent payments to Longevity International Enterprises Corporation ("Longevity"), which has also been the entity advertising vacancies at the shopping center.

Longevity's Articles of Incorporation apparently filed in Hawaii name nine officers and/or directors who in large part list the Republic of China as their resident address.

According to an article in the April 9, 1996 issue of the Honolulu Star Bulletin, the owner of Cultural Plaza is China Airlines of Taiwan, while Longevity has been the managing company since December, 1994. The same article also includes a cursory reference to "Taiwanese managers" as having been the predecessors of the shopping center's current management. Other, conflicting information available extends back to 1989, when, on June 20, in his answer to the complaint in MUR 2892, counsel for Longevity stated that this company "is a California corporation, licensed to do business in the State of Hawaii. . . . Longevity's main business in the State of Hawaii is [sic] the owner and landlord of a shopping complex known as the Chinese Cultural Plaza . . . located at 100 North Beretania Street [in Honolulu]." More recently, an August 5, 1996, Dunn & Bradstreet report cites Longevity as the current "operator" of the Chinatown Cultural Plaza Shopping Center. The current CDB real estate property data base for Hawaii lists Longevity as the "owner" of the Cultural Plaza and a relatively recent sale date of December 30, 1993.

The information available to the Commission also indicates that the Committee has been renting an office at the Cultural Plaza since at least 1988 at a rental rate of \$800 per month for approximately 2,700 square feet of space, or at a cost of approximately \$.30 per square foot. It appears that in June, 1996, Longevity was advertising vacancies at Cultural Plaza at \$1.70 per square foot, a rate which in itself may be considerably lower than the market rate for similar space in recent years.

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**c. Analysis**

**1. Status of Ownership of the Chinatown Cultural Plaza Shopping Center**

The ownership of the Chinatown Cultural Plaza Shopping Center cannot be resolved with the information presently in hand. Specifically, it is not clear whether Longevity or China Airlines or some other entity can claim such a relationship with this enterprise. According to some sources, Longevity is the "owner" of the shopping center, while in others, such as the Star Bulletin article cited above, China Airlines is named as the "owner," China Airlines being in turn the property of the Government of the Republic of China on Taiwan.

In MUR 2892, the Commission in 1991 found no probable cause to believe that Longevity had violated 2 U.S.C. § 441e on the basis of its asserted status as a California corporation which was not a subsidiary of another entity. However, in the Articles of Incorporation filed by Longevity with the Department of Commerce and Consumer Affairs, State of Hawaii, on April 17, 1995, Taipei, Taiwan is listed as the residence address for four of the company's nine directors. Further, the names of the directors and officers listed in the Dunn & Bradstreet report cited above do not, with one possible exception, match the names of the officers and directors listed in the 1995 Articles of Incorporation. Therefore, it is not clear whether Longevity should still be deemed a domestic corporation. Nor is it known what role, if any, directors or officers of Longevity who are not U.S. citizens would have played in decisions regarding rental costs which may have been charged the Committee outside the ordinary course of business.

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If China Airlines is or has been the owner of Cultural Plaza, it appears clear, given the foreign government ownership of this enterprise, that violations have occurred, provided that the rentals charged the Committee were outside the ordinary course of business.

## 2. Rental Costs

As stated above, the Committee has apparently been renting office space at Cultural Plaza since at least 1988 at a rate of \$800 per month for approximately 2,700 square feet of space. Thus, the cost to the Committee per month would have been \$.296 per square foot. This amount appears to have been well below market value in Honolulu.

According to Comparative Statistics of Industrial and Office Real Estate Markets, which is produced annually by the Society of Industrial and Office Realtors ("SIOR"), Washington, DC, a \$.296 rate would be far below the average for comparable property in the Honolulu area during the period 1988 - 1995, as the chart below demonstrates. While the information available to the Commission is based upon a monthly calculation for price per square foot, it is customary in the industry to apply a yearly calculation, as is used in this chart.

**Inside Central Business District, Honolulu<sup>2</sup> (Average price per square foot per year)**

		<b>Low</b>	<b>High</b>	<b>Weighted Average<sup>3</sup></b>
1988	Class A: <sup>4</sup> Class B <sup>5</sup>	Not available Not available		
1989	Class A Class B	25.20 22.80	36.00 27.00	30.60 24.90
1990	Class A Class B	27.00 25.20	37.80 28.80	32.40 27.00
1991	Class A Class B	Not available Not available		
1992	Class A Class B	31.20 24.60	40.40 34.90	32.25 26.40
1993	Class A Class B	30.36 25.20	49.80 36.60	34.56 31.80
1994	Class A Class B	21.60 12.00	49.80 35.88	30.00 24.00
1995	Class A Class B	24.60 18.00	37.80 33.00	27.72 24.00

<sup>2</sup> SIOR defines the central business district as space located near the historical urban core commonly associated with traditional government and financial districts in most cities.

<sup>3</sup> SIOR defines weighted average as the average quoted rental rate weighted by the vacant space available at the rental rate in each class.

<sup>4</sup> According to SIOR, Class A property has an excellent location, high-quality tenants, high-quality finish, well-maintained, professionally managed and usually new, or older buildings that are competitive with new buildings.

<sup>5</sup> SIOR defines Class B property as having good location, professionally managed, fairly high-quality construction and tenancy. Class B buildings generally show very little functional obsolescence and deterioration.

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Using these figures, it appears that the office rent charged the Committee since 1988 has been outside the ordinary course of business. The class of the property where Friends for Fasi has its office is not known, although the Dun & Bradstreet report describes the property's location as "central business section on well traveled street." Nor is the actual rental price in years other than 1995 known at present. However, if one applies only the most conservative figure in the chart above, or the \$18.00 per year per square foot (or \$1.50 per square foot per month) shown as the low figure for Class B property in 1995, the yearly charge which would have represented the ordinary course of business of the industry would have been \$48,600 ( $\$18.00 \times 2,700$ ), rather than the \$9,590 ( $\$2.96 \times 2,700 \times 12$  months) apparently charged to the Committee by the owners of Cultural Plaza. Applying these figures to all eight years at issue, the total amount in violation could be as much as \$312,000.<sup>6</sup>

#### **d. Conclusions**

Based on the foregoing information, there is reason to believe that Friends for Fasi and its treasurer have violated 2 U.S.C § 441e. In addition, the candidate, Frank Fasi, has signed disclosure forms submitted by the Committee to the State of Hawaii Campaign Spending Commission. No signature by a treasurer appears. Therefore, there is reason to believe that Frank Fasi has violated 2 U.S.C. § 441e.

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<sup>6</sup> The Committee has apparently paid \$800 per month [at \$2.96 per square foot] x 12 months = \$9,600 per year x 8 years = \$76,800, rather than at least \$48,600 [at \$18.00 per square foot per year] x 8 years = \$388,800.  $\$388,800 - \$76,800 = \$312,000$  in-kind contribution.

21-04-402-438